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No. 84-1858

In The

Supreme Court of the United States

October Term, 1984

LEX TEX LTD., INC.,

Petitioner,

v.

J.P. STEVENS & CO., INC., BADISCHE CORPORATION, AND BURLINGTON INDUSTRIES, INC.

Respondents.

OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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STATEMENT UNDER RULE 28.1

Respondent Burlington Industries, Inc., does not have any parent companies, subsidiaries that are not wholly owned, or affiliates.

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OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

STATEMENT OF THE CASE

This Opposition is filed on behalf of respondent Burlington Industries, Inc. ("Burlington").[1] From the outset of this litigation, Burlington has contended that the patent in suit, U.S. Patent 3,091,912 ("the '912 patent"), was unenforceable because of fraud and inequitable conduct in procuring the patent from the Patent Office.

In its opinion in this case, a five-judge panel of the U.S. Court of Appeals for the Federal Circuit unanimously ruled

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[1] Burlington Industries, Inc., briefed and orally argued the inequitable conduct issue to the Federal Circuit. The other respondents joined therein. Counsel for respondent Burlington is authorized to advise the Court that co-respondents, J.P. Stevens & Co. and Badische Corp., join in this Opposition.

that the '912 patent was unenforceable. Petitioner's Appendix ("Pet. App.") at 45a. The Federal Circuit held that those who had applied for the '912 patent had improperly withheld material information from the Patent Office, and had twice misrepresented to the Patent Office information they knew or should have known to be material. Pet. App. at 35a-39a, 41a.

Respondents' presentation of the inequitable conduct issue to the Federal Circuit was based on controlling, unchallenged documentary evidence and admitted testimonial facts. Petitioner's response before the Federal Circuit upon the inequitable conduct issue was that it "respectfully decline[d]" to rebut or take issue with any of these controlling facts set forth by respondent Burlington. Petitioner's only contention was that the level of materiality for the withheld and misrepresented information was not high. Lex Tex Response Brief at 41.

The Federal Circuit rejected petitioner's argument, concluding the district court had erred by failing to give primary consideration to events that had occurred in a Patent Office "Reissue" proceeding, conducted *after* the '912 patent had issued. Pet. App. at 36a. In the Reissue proceeding, the Patent Office had: (i) determined that the withheld and misrepresented information was the most material prior art of record against the '912 patent; and (ii) rejected the majority of the '912 patent claims based on that information. D.Ct. Ex's 1, 2.

After the Federal Circuit's decision holding the '912 patent unenforceable for inequitable conduct in the Patent Office, petitioner filed a Petition for Rehearing and Suggestion for Rehearing en Banc presenting for the first time contentions[2] long known and available to petitioner but not offered at trial or during the original submission on appeal.

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[2]Such contentions were in no way based on any "newly discovered" evidence as is required for relief from judgment under Rule 60(b), FED. R. CIV. P.

The Petition for Rehearing and Suggestion were denied. The present Petition for Writ of Certiorari raises only those same contentions, improperly presented here because previously waived by conscious failure of submission to the Federal Circuit at the original appellate hearing.

SUMMARY OF ARGUMENT

In reaching its decision, the Federal Circuit correctly followed Rule 52, FED. R. CIV. P., the prior precedents of this Court, and the considerable body of case law that has developed under those precedents. In so doing, the Federal Circuit properly:

- reviewed the facts found by the district court under the clearly erroneous standard of Rule 52;
- applied traditional equitable principals in reviewing all aspects of the charge of inequitable conduct;
- followed Supreme Court, regional circuit, and Federal Circuit precedents holding inequitably procured patents unenforceable in their entirety; and
- allocated the burden of proof on respondents as required by this Court's precedents and the case law thereunder.

The present Petition for Writ of Certiorari raises no sound issue of any consequence to the public interest for review by this Court.

I. THERE IS NO FINDING OF FACT IMPROPERLY HELD TO BE CLEARLY ERRONEOUS

The Federal Circuit followed the mandate of Rule 52 by reviewing all findings of fact under the clearly erroneous standard. The Federal Circuit correctly recognized:

> Materiality and intent are factual issues subject to the clearly erroneous standard of review. See, e.g., *Hycor*, 740 F.2d at 1539-40, 222 U.S.P.Q. at 557, *American Hoist*, 725 F.2d at 1361, 220 U.S.P.Q. at 772. Thus, this court must affirm findings on materiality and intent unless it is left with a definite and firm conviction that error has occurred. See, e.g., *Raytheon Co. v. Roper Corp.*, 724 F.2d 951, 956, 220 U.S.P.Q. 592, 596 (Fed. Cir.), cert. denied, 53 U.S.L.W. 3225 (1984). If the threshold of materiality and intent is crossed, we must determine, as a matter of law, whether inequitable conduct occurred. *American Hoist*, 725 F.2d at 1364, 220 U.S.P.Q. at 774.

Pet. App. at 35a.

Based on its review of the controlling, undenied facts, the Federal Circuit correctly held that the critical findings of the district court on materiality and intent were clearly erroneous. Pet. App. at 35a-45a. Petitioner has pointed to *no* district court finding improperly held to be clearly erroneous by the Federal Circuit.

Petitioner now criticizes the Federal Circuit for finding error in the district court's failure to consider a Patent Office "Reissue" proceeding, conducted after the '912 patent had issued, as "strong probative" evidence of materiality of withheld and misrepresented information. Manifestly, there can be no more pertinent evidence of what would have been material during the *original* Patent Office proceeding than evidence of what actually was determined to be material in a *subsequent* Patent Office proceeding concerning the same patent. Indeed, petitioner itself had urged below that the Federal Circuit *should consider* the subsequent Reissue proceeding in determining materiality. Lex Tex Response

Brief at 40. The Federal Circuit correctly held that the district court had erred in failing to consider as important probative evidence the subsequent reissue proceeding "wherein patentability is assessed in light of information not originally disclosed." Pet. App. at 36a.

II. THE PATENT OFFICE MATERIALITY STANDARD IS MERELY THE APPROPRIATE STARTING POINT OF ANALYSIS, CODIFIES GOVERNING CASE LAW, AND IS REQUIRED BY SUPREME COURT PRECEDENT

Patent Office Rule 1.56(a), 37 C.F.R. § 1.56(a) (1984), provides that information is material to the patent procurement process if there is a substantial likelihood that a reasonable patent examiner would have considered the information important in deciding whether to allow the application to issue as a patent. Pet. App. at 30a-31a. In the original submission to the Federal Circuit, petitioner made no challenge to this "reasonable examiner" standard for assessing materiality in this case. The Federal Circuit correctly stated: "The [Patent Office reasonable examiner] standard is the appropriate starting point because it is the broadest and because it most closely aligns with how one ought to conduct business with the PTO." *Id.* Petitioner now asserts that the reasonable examiner standard did not apply in 1957-63. Whether it did or not is irrelevant.

As the Federal Circuit explained, the reasonable examiner standard is only a "starting point" for analysis. *Id.* In this case, however, the '912 applicants not only withheld information, but also repeatedly misrepresented what they knew that very same withheld information disclosed. *Id.* at 41a. As petitioner's patent law expert agreed (Tr. 5576-92), such misrepresentations are material under any proper standard. *Rohm & Haas Co. v. Chrystal Chemical Co.*, 722 F.2d 1556, 1570-71 (Fed. Cir. 1983), *cert. denied*, 105 S.Ct. 172 (1984); *Kangaroos U.S.A., Inc. v. Caldor, Inc.*, 585 F.Supp. 1516, 1529-30 (S.D.N.Y. 1984). Thus, whether the reasonable

examiner standard applied in 1957-63 is not properly in issue in this case.

Moreover, petitioner's protest to the application of the Rule 1.56 standard to the conduct in issue is unjustified, and improper. In *Driscoll v. Cebalo*, 731 F.2d 878, 885 (Fed. Cir. 1984), the Federal Circuit noted:

> the *Official Gazette* of the PTO (Vol. 955, No. 4, Feb. 22, 1977) states that regulation 1.56 'codifies the existing Office policy on fraud and inequitable conduct, which is believed consistent with the prevailing case law in the federal courts.'

Accord, True Temper Corp. v. CF&I Steel Corp., 601 F.2d 495, 504 n.9 (10th Cir. 1979) ("rule [1.56] merely represented a codification of existing case law"). Petitioner's own patent law expert testified at trial that the Rule 1.56 reasonable examiner standard was merely a codification of the standard that has always governed proceedings in the Patent Office. Tr. 5569-74. *See also*, Tr. 4572-82 (*per* respondents' expert).

Finally, as explained in *U.S. Industries, Inc. v. Norton Co.*, 210 U.S.P.Q. 94, 110 (N.D.N.Y. 1980), the cases that established the reasonable examiner standard were this Court's decisions, such as *Kingsland v. Dorsey*, 338 U.S. 318, 319-20 (1949), and *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816-18 (1944):[3]

> Defendant did present the expert testimony of the former Commissioner of Patents, David Ladd, who testified that there was no duty or policy requiring the citation of prior art to the Patent Office during the period of the prosecution of the patent in suit—1961-65. . . . In light of this Court's earlier holding that the 1977 promulgation of a rule mandating disclosure of material art was merely a codification of existing case law, extant

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[3] *See also, Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 244-47 (1933); *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 246, 250-251 (1944).

> since the Supreme Court decisions in Dorsey and Precision Instruments, this testimony to my mind is entitled to little probative value. To accord such testimony more probative value would effectively eviscerate holdings of the Supreme Court.

Cf., Beckman Instruments, Inc. v. Chemtronics, Inc., 439 F.2d 1369, 1378-80 (5th Cir.), *cert. denied*, 400 U.S. 956 (1970) (under *Precision Instrument*, in 1956 applicants had duty to bring relevant references to the attention of the examiner); *In re Clark*, 522 F.2d 623, 627 (C.C.P.A. 1975) (same). Since the reasonable examiner standard was established by this Court long before the inequitable conduct in issue in this case, the applicability of the standard is well settled and not a question for useful review.

III. THE RULE OF ENTIRE UNENFORCEABILITY IS ESSENTIAL TO COMPLY WITH SUPREME COURT PRECEDENT AND TO ENSURE CANDID DISCLOSURE, UNIFORMITY OF SANCTIONS, AND EQUITABLY PROCURED PATENTS

One of the fountainheads of the law of inequitable conduct in patent matters is the decision of this Court in *Precision Instrument*, 324 U.S. at 806. There this Court ruled:

> The far reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope.

Id. at 815-16.

Based upon this paramount interest, this Court in *Precision Instrument* held three patents entirely unenforceable for inequitable conduct before the Patent Office. *Id.* at 819-20. Similarly, in all other Supreme Court cases holding patents unenforceable for inequitable conduct in procuring or enforcing them, the Court has held nothing less than entire

unenforceability for the patents so procured or enforced. *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 250-51 (1944); *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 244-47 (1933)[4].

In conformance with these holdings by this Court, the Federal Circuit in this case stated:

> Once a court concludes that inequitable conduct occurred, all the claims—not just the particular claims to which the inequitable conduct is directly connected—are unenforceable. . . . *In re Clark*, 522 F.2d 623, 626, 187 USPQ 209, 212 (CCPA 1975).

Pet. App. at 34a. *Accord, Kearney & Trecker Corp. v. Giddings & Lewis, Inc.*, 452 F.2d 579, 594-96 (7th Cir. 1971) (*per* Justice, then Judge, Stevens), *cert. denied*, 405 U.S. 1066 (1972) (relied upon by the Federal Circuit; see Pet. App. at 35a); *Strong v. General Electric Co.*, 434 F.2d 1042, 1045 (5th Cir. 1970), *cert. denied*, 403 U.S. 906 (1971) (failure to disclose prior art material to some claims invalidates all claims in the patent); *Kearney & Trecker Corp. v. Cincinnati Milacron, Inc.*, 562 F.2d 365, 371-72 (6th Cir. 1977); *Chromalloy American Corp. v. Alloy Surfaces Co.*, 339 F. Supp. 859, 875 (D. Del. 1972); *Reynolds Metal Co. v. Continental Group, Inc.*, 525 F. Supp. 950, 971 (N.D. Ill. 1981); *Gemveto Jewelry Co. v. Lambert Bros., Inc.*, 542 F. Supp. 933, 943 (S.D.N.Y. 1982).

Subsequently, by Petition for Rehearing to the Federal Circuit and by the present Petition for Writ of Certiorari to this Court, petitioner argues that the prior rulings of this Court, the C.C.P.A., and other regional circuits are in error because the so-called "all or nothing" rule is "obnoxious to any equitable doctrine."[5] In support, petitioner points to

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[4]The present Petition cites neither *Precision Instrument* nor any other Supreme Court decisions on the issue of inequitable conduct before the Patent Office.

[5]Petitioner asserts that no inequitable conduct was charged with respect to the so-called "product" claims of the '912 patent, as artificially distinguished by petitioner from the accompany-

(footnote continued on next page)

only one contrary ruling: *In re Multidistrict Litigation Involving Frost Patent*, 540 F.2d 601, 611 (3d Cir. 1976).[6]

In re Frost is the lone judicial exception to the sound general rule that "[t]he effect of fraud or inequitable conduct normally extends to the *entire* patent—not just those claims as to which the misrepresentation or omission is material." 4 D. CHISUM, PATENTS § 19.03[6], at 19-85 (1984). The anamolous *In re Frost* ruling of partial enforceability is contrary to all other precedents of this Court, the C.C.P.A., and the regional circuits (including the Seventh Circuit *per* Justice Stevens, then Judge, in *Giddings & Lewis*). As admitted by petitioner's own patent law expert at trial (Tr. 5591), anything less than a rule of entire unenforceability also would be inconsistent with the long-standing, uniform, and judicially approved Patent Office policy of striking or

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(footnote continued from preceding page)

ing invalid "process" claims of the same patent. In fact, however, a major portion of the inequitable conduct charge was (and still is) based on the '912 patent applicants' collusive settlement of an interference proceeding in the Patent Office with another patent applicant, Baebler. The purpose of the settlement was, *inter alia*, to prevent the loss through unpatentability of certain *product* claims. In addition, another major portion of the inequitable conduct charge was (and is) based on the withholding of prior art with respect to *product* claims. The Federal Circuit's decision rendered these additional grounds moot.

[6] Petitioner also cites the C.C.P.A. decision in *Norton v. Curtiss*, 433 F.2d 779, 793 (C.C.P.A. 1970), and Second Circuit decision in *Pfizer & Co. v. F.T.C.*, 401 F.2d 574 (6th Cir. 1968), *cert. denied*, 394 U.S. 920 (1969). *Norton v. Curtiss* merely held that equitable principles should be applied in determining whether wrongdoing occurred, not whether the sanction should be anything less than entire enforceability, which the C.C.P.A. later held to be the rule in *In re Clark*, 522 F.2d 623, 626 (C.C.P.A. 1975). *Pfizer* is also inapposite: it merely dealt with the issue of compulsory licensing under section 5 of the F.T.C. Act, 15 U.S.C. § 45, and not with unenforceability under 35 U.S.C. § 282(1) (1984).

rejecting the *entire* patent application for inequitable conduct committed in connection with any part of the application. See, 37 C.F.R. § 1.56(d) (1984); *Norton v. Curtiss*, 433 F.2d 779, 791-92 (C.C.P.A. 1970); *Driscoll v. Cebalo*, 731 F.2d 878, 882-885 (Fed. Cir. 1984).

If entire unenforceability were not the rule, a patent applicant actually would have an incentive, during prosecution, to commit inequitable conduct and hide it from the Patent Office, in the expectation of obtaining excessively broad patent claims as a market threat and, after issuance, still retaining at least partial enforceability of other, narrower claims. Thus, the rule proposed by petitioner would encourage inequitable conduct and its concealment from the Patent Office, directly contrary to the mandate of this Court in *Precision Instrument*, 324 U.S. at 818:

> Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue. . . . Only in that way can the Patent Office and the public escape from being classed among the 'mute and helpless victims of deception and fraud.'

If the courts are to ensure that all patents do spring from backgrounds free from inequitable conduct, then a patent procured by inequitable conduct cannot be enforceable in *any* way, even if some claims might be arguably separable from others. The lone *In re Frost* decision is manifestly unwise and contrary to all other precedent on point. Its long-past and uniformly disregarded existence can create no meaningful conflict of law for review by this Court.

IV. THE DECISION DID NOT SHIFT THE BURDEN OF PROOF, WHICH RESTS WITH AND WAS CARRIED BY RESPONDENTS

Just as this Court had held in *Precision Instrument*, 324 U.S. at 814-15, the Federal Circuit here stated: "Conduct

before the [Patent Office] that may render a patent unenforceable is broader than common law fraud." Pet. App. at 30a. Nevertheless, the Federal Circuit properly recognized that the burden of proof of inequitable conduct rests solely with respondents. *Id.* at 30a-31a. That burden was to prove by clear and convincing evidence the materiality of withheld or misrepresented information and culpable intent. *Id.*

After concluding that the district court had erred in failing to give primary consideration to actual Patent Office "Reissue" proceedings as evidence of the materiality of the information in issue, the Federal Circuit addressed the trial court's finding that it was *possible* that during the original '912 patent proceedings the Patent Office examiner otherwise knew of the withheld and misrepresented prior art. Pet. App. at 36a-39a. The Federal Circuit correctly held that the mere possibility of knowledge, with no evidence of *actual* knowledge, did not overcome the proof of materiality. Pet. App. at 38a-39a. *Accord* Tr. 5595 (testimony of petitioner's patent law expert). The court said:

> [T]he district court did not find actual knowledge [of the withheld and misrepresented information] by the primary examiner—it merely noted possibilities and, where inequitable conduct is at issue, mere possibilities are insufficient. As stated in *Driscoll v. Cebalo*, 731 F.2d at 885, 221 USPQ at 751: 'It cannot be presumed, where fraud or other egregious conduct is alleged, that the PTO considered prior art of particular relevance if it was not cited.'

Id. Accord, Chicago Rawhide Manufacturing Co. v. Crane Packing Co., 523 F.2d 452, 461 & n.22 (7th Cir. 1975) (*per* Justice, then Judge, Stevens), *cert. denied*, 423 U.S. 1091 (1976) (no presumption of consideration where inequitable conduct is in issue).

The Federal Circuit's ruling here did not "shift" any burden of proof to petitioner. At trial, respondents presented clear and convincing proof of materiality, including the

undenied fact that during the original patent proceedings the applicants withheld and misrepresented information determined in the later Patent Office "Reissue" proceeding to be the most material information of record to the determination of patentability of the '912 patent. Petitioner had full opportunity and incentive to rebut respondents' proofs of materiality by, if possible, presenting evidence that during the original Patent Office proceedings, the '912 patent examiner had *actual* knowledge of the withheld, uncited, and misrepresented information. Petitioner did not do so at trial (and cannot do so now, as no such evidence exists[7]).

Petitioner points to the statutory presumption of validity for all patents and the maxim that, where patentability (*not* unenforceability) is in issue, the Patent Office examiner is presumed to have considered all prior art in classes searched during prosecution. *E.I. duPont de Nemours & Co. v. Berkley and Co.*, 620 F.2d 1247, 1266-67 (8th Cir. 1970) (*per* Markey, J., author of the Federal Circuit decision in issue). In the context of inequitable conduct, however, such a presumption

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[7]The "Exhibit A" (and most of its contents) referred to by petitioner as potential proof of "actual" knowledge was not offered at trial, is outside the record, and appeared for the first time in petitioner's reply in support of its Petition for Rehearing below. In addition, petitioner is incorrect in its representation that a particular assistant examiner (Petrakes) handled the prosecution in the Patent Office of the '912 patent. There is no such evidence in this record; the prosecution history indicates directly to the contrary (DX 1025); and petitioner's trial counsel admitted in court directly to the contrary, i.e., that a different assistant examiner (Stein) was the *only* assistant examiner involved in the '912 application. Tr. 5700-01. Thus, the Exhibit is not only improperly presented, but also incompetent to prove any actual knowledge of the withheld, uncited, and misrepresented material information. Moreover, as revealed in the Federal Circuit's opinion, the court was well aware of the actual record and fully considered the relationship of the examiners of other patent applications to the examination of the '912 patent application in issue. See Pet. App. at 39a & n.10.

would render the duty of disclosure and candor a nullity, for it would do away with a patent applicant's obligation to disclose or candidly represent information known to be more material than that cited by the Patent Office examiner but buried in, or missing from, the files searched by the examiner.[8] *Cf.*, *Chicago Rawhide*, 523 F.2d at 461 & n.22 (where inequitable conduct is in issue, a presumption of consideration would be unfair to the Patent Office and illogical). This Court's rulings of patent unenforceability have imposed no such presumption. *Precision Instrument*, 324 U.S. at 814-20; *Hazel-Atlas*, 322 U.S. 250-51; *Keystone Driller*, 290 U.S. at 244-47. Such a presumption would frustrate the "paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope." *Precision Instrument*, 324 U.S. at 816.

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[8] It has been estimated that as many as 28% of the prior art references are missing from any given Patent Office files at any given time. Tr. 4564.

CONCLUSION

The present Petition seeks to create a meritless conflict with this Court's prior precedents. The Court should deny the Petition for lack of an issue proper for review in this Court, and further as a procedural impropriety and imposition on the Court.

Respectfully submitted,

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